



State of Idaho

Legislative Services Office

Individual Entity Audit Report

A communication to the Joint Finance-Appropriations Committee

IDAHO WHEAT COMMISSION

FY 2007

Report OP40607
Date Issued: November 28, 2007

Serving Idaho's Citizen Legislature

FOREWORD

PURPOSE OF AUDIT REPORT

Our fiscal/compliance audit of the Idaho Wheat Commission was made to determine:

1. The adequacy and accuracy of the fiscal records and the reliability of the internal control system in order to issue an opinion on the fairness of the Commission's financial statements.
2. The degree of compliance with various State laws, rules, and regulations affecting the fiscal operations of the Commission.
3. The areas in the financial operations that could be improved.

SCOPE OF AUDIT

We examined the financial operations of the Commission for the fiscal year ended June 30, 2007.

The audit was performed in accordance with auditing standards generally accepted in the United States of America and the fiscal/compliance section of the *Government Auditing Standards* published by the U.S. Government Accountability Office (GAO).

Information contained in this report was gathered from accounting and administrative records. We also interviewed Commission personnel.

AUDIT AUTHORIZATION

Reported to the Joint Finance-Appropriations Committee as directed by the Legislative Council of the Idaho Legislature, authorized by Idaho Code, Section 67-429.

ASSIGNED STAFF

Sally Fong, Staff Auditor

ADMINISTRATION AND TECHNICAL REVIEW

Don H. Berg, CGFM, Manager, Legislative Audits Division
Eugene Sparks, CPA, CGFM, Managing Auditor

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EXECUTIVE SUMMARY LEGISLATIVE AUDITS

IDAHO WHEAT COMMISSION

PURPOSE AND SCOPE – We have audited the financial statements of the Idaho Wheat Commission for the fiscal year ended June 30, 2007, in accordance with auditing standards generally accepted in the United States of America. The purpose of our audit is to determine whether the Commission's financial statements are materially accurate and reliable, and that it complied with laws and regulations affecting fiscal operations.

CONCLUSION – We conclude that the Commission's financial statements are materially accurate and reliable, and fiscal operations materially comply with related laws and regulations. As a result, we issued an unqualified opinion on the Commission's financial statements.

FINDINGS AND RECOMMENDATIONS – There are no findings and recommendations in this report, nor were there any findings and recommendations in the prior report. However, we did suggest minor internal control improvements.

AGENCY RESPONSE – The Commission has reviewed the report and is in general agreement with its contents.

FINANCIAL SUMMARY – The Commission is funded primarily by a 1½¢ tax per bushel levied against wheat sold in Idaho in the primary channels of trade. The wheat growers are responsible for payment of the tax, which is collected and remitted by the first purchaser of the wheat. The tax collected is used for administration, research, marketing, and promotional activities. A summary of the Commission's financial activity for fiscal year 2007 follows.

IDAHO WHEAT COMMISSION – BALANCE SHEET AT JUNE 30, 2007

	Special Revenue Fund
<u>ASSETS</u>	
Cash and Investments	\$1,903,519
Receivables	<u>123,521</u>
Total Assets	<u><u>\$2,027,040</u></u>
<u>LIABILITIES AND FUND BALANCE</u>	
Liabilities:	
Accounts Payable	\$102,026
Payroll and Benefits Payable	12,261
Deferred Rent Income	<u>4,680</u>
Total Liabilities	<u>\$118,967</u>
Fund Balance:	
Unreserved and Undesignated Fund Balance	<u>\$1,908,073</u>
Total Liabilities and Fund Balance	<u><u>\$2,027,040</u></u>

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
FISCAL YEAR ENDED JUNE 30, 2007

Special Revenue Fund

REVENUES

Wheat Assessments	\$1,254,297
Interest Income	97,756
Rental Income	<u>61,478</u>
Total Revenue	<u>\$1,413,531</u>

EXPENDITURES

Marketing	\$336,077
Research	436,187
Information and Education	480,934
Administration	369,210
Capital Outlay	<u>7,469</u>
Total Expenditures	<u>\$1,629,877</u>

Excess (Deficiency) of Revenues Over Expenditures	(\$216,346)
Beginning Fund Balance	<u>2,124,419</u>
Ending Fund Balance	<u>\$1,908,073</u>

OTHER ISSUES. Legislative auditors discussed other, less important issues which, if changed, would improve internal control, ensure compliance, or improve efficiency.

This report is intended solely for the information and use of the State of Idaho and the Idaho Wheat Commission and is not intended to be used by anyone other than these specified parties.

We appreciate the cooperation and assistance given to us by the executive director, Blaine Jacobson, and his staff.

QUESTIONS CONCERNING THIS AUDIT SHOULD BE DIRECTED TO:

Don H. Berg, CGFM, Manager, Legislative Audits Division
Eugene Sparks, CPA, CGFM, Managing Auditor

Report OP40607

AGENCY RESPONSE



"Working to maximize profitability for Idaho wheat producers."

Mr. Don Berg
Audit Manager
Legislative Services Office
Statehouse
P.O. Box 83720
Boise, ID 83720-0054

Dear Mr. Berg:

Thank you for providing a confidential draft of the Idaho Wheat Commission audit for the fiscal year ended June 30, 2007.

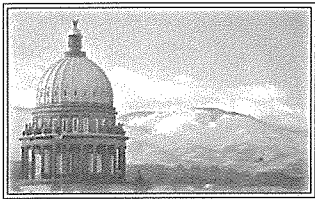
I have read through the audit detail and agree with the report the way it is written.

Thank you for your assistance.

Sincerely,

A handwritten signature in dark ink, appearing to read "Blaine Jacobson", followed by a long, horizontal flourish.

Blaine Jacobson
Executive Director
Idaho Wheat Commission



Legislative Services Office Idaho State Legislature

Serving Idaho's Citizen Legislature

Jeff Youtz
Director

November 2, 2007

Unqualified Opinion on
Basic Financial Statements

Independent Auditor's Report

Members of the Idaho Wheat Commission
Blaine Jacobson, Executive Director
821 West State Street
Boise, ID 83702

Commission Members and Executive Director:

We have audited the accompanying financial statements of the governmental activities and the special revenue fund of the Idaho Wheat Commission as of and for the year ended June 30, 2007, which collectively comprise the Commission's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the special revenue fund of the Commission as of June 30, 2007, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 2, 2007, on our consideration of the Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered when assessing the results of our audit.

Mike Nugent, Manager
Research & Legislation

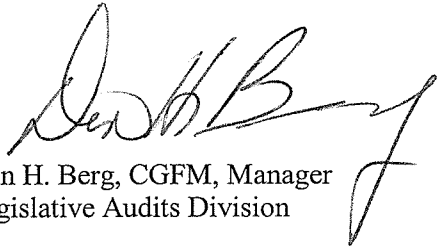
Cathy Holland-Smith, Manager
Budget & Policy Analysis

Don H. Berg, Manager
Legislative Audits

Glenn Harris, Manager
Information Technology

The Commission has not presented the Management Discussion and Analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Sincerely,

A handwritten signature in black ink, appearing to read "Don H. Berg". The signature is stylized with a large, looped "D" and a long, sweeping horizontal stroke at the end.

Don H. Berg, CGFM, Manager
Legislative Audits Division

STATE OF IDAHO
IDAHO WHEAT COMMISSION
STATEMENT OF NET ASSETS
AS OF JUNE 30, 2007

	<u>Governmental Activities</u>
Assets	
Cash and Investments	\$1,903,519
Receivables	123,521
Capital Assets, Net of Accumulated Depreciation	<u>1,114,823</u>
Total Assets	<u>\$3,141,863</u>
Liabilities	
Accounts Payable	\$102,026
Deferred Rent Income	4,680
Long-Term Liabilities:	
Due Within One Year	
Payroll and Benefits Payable	12,261
Compensated Absences	5,729
Due in More Than One Year	
Compensated Absences	<u>4,108</u>
Total Liabilities	<u>\$128,804</u>
Net Assets	
Invested in Capital Assets	\$1,114,823
Unrestricted	<u>1,898,236</u>
Total Net Assets	<u><u>\$3,013,059</u></u>

The accompanying notes are an integral part of these financial statements.

STATE OF IDAHO
IDAHO WHEAT COMMISSION
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2007

Function/Programs:	Expenses	Charges for Services	Net (Expenses) Revenues and Changes in Net Assets Governmental Activities
Governmental Activities			
Marketing	\$336,077	\$0	(\$336,077)
Research	436,187	0	(436,187)
Information and Education	480,934	0	(480,934)
Administration	403,507	61,479	(342,028)
Total Legislative Branch	\$1,656,705	\$61,479	(\$1,595,226)

General Revenues:	
Wheat Assessments	\$1,254,295
Interest Income	97,756
Total General Revenues	\$1,352,051
Change in Net Assets	(243,175)
Beginning Net Assets as Adjusted	3,256,234
Ending Net Assets	\$3,013,059

The accompanying notes are an integral part of these financial statements.

STATE OF IDAHO
IDAHO WHEAT COMMISSION
BALANCE SHEET
GOVERNMENTAL FUNDS
AS OF JUNE 30, 2007

	Special Revenue Fund
ASSETS	
Cash and Investments	\$1,903,519
Receivables	123,521
Total Assets	<u>\$2,027,040</u>
LIABILITIES AND FUND BALANCE	
Liabilities:	
Accounts Payable	\$102,026
Payroll and Benefits Payable	12,261
Deferred Rent Income	4,680
Total Liabilities	<u>\$118,967</u>
Fund Balance:	
Unreserved and Undesignated Fund Balance	<u>\$1,908,073</u>
Total Liabilities and Fund Balance	<u>\$2,027,040</u>

The accompanying notes are an integral part of these financial statements.

STATE OF IDAHO
IDAHO WHEAT COMMISSION
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO THE
STATEMENT OF NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2007

Total Fund Balance for the Governmental Fund	\$1,908,073
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Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not financial resources and are therefore not reported in the funds.	1,114,823
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Long-term liabilities are not due and payable in the current period and are therefore not reported in the funds. This consists of compensated absences.	<u>(9,837)</u>
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Net Assets of Governmental Activities	<u><u>\$3,013,059</u></u>
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The accompanying notes are an integral part of these financial statements.

STATE OF IDAHO
IDAHO WHEAT COMMISSION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2007

	Special Revenue Fund
Revenues	
Wheat Assessments	\$1,254,297
Rental Income	61,478
Interest Income	97,756
Total Revenues	<u>\$1,413,531</u>
Expenditures	
Marketing	\$336,077
Research	436,187
Information and Education	480,934
Administration	369,210
Capital Outlay	7,469
Total Expenditures	<u>\$1,629,877</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(\$216,346)</u>
Beginning Fund Balance	<u>\$2,124,419</u>
Ending Fund Balance	<u><u>\$1,908,073</u></u>

The accompanying notes are an integral part of these financial statements.

STATE OF IDAHO
IDAHO WHEAT COMMISSION
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2007

Net Change in Fund Balance for the Governmental Fund (\$216,346)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds do not report depreciation expense. Also, capital assets are considered expenditures under modified accrual accounting. An adjustment is required to book depreciation and to remove capital assets that were classified as expenditures. (23,498)

Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the Statement of Activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. This requires an adjustment for compensated absences.

(3,331)

Change in Net Assets of Governmental Activities (\$243,175)

The accompanying notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

NOTE #1

SIGNIFICANT ACCOUNTING POLICIES

FINANCIAL REPORTING ENTITY

The financial statements of the Idaho Wheat Commission have been prepared in conformity with United States generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Commission's accounting policies are described below.

The Commission contributes to the cost-sharing multi-employer Public Employee Retirement System of Idaho (PERSI). PERSI is administered by the State of Idaho and the Commission is not the major participant in the plan; therefore, the plan financial statements are not included in this report.

BASIS OF PRESENTATION

Government-Wide Financial Statements

The Statement of Net Assets and the Statement of Activities report all activities of the Commission as governmental activities. These activities are financed primarily from the wheat tax assessed on all wheat as it enters the channels of trade in Idaho.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the Commission. Direct expenses are those specifically associated with a function and therefore, are clearly identifiable to a particular function. Program revenues include fees and charges paid by recipients for goods or services offered by the program. Revenues not classified as program revenues are presented as general revenue.

Fund Financial Statements

The fund financial statements provide information about the Commission's Special Revenue Fund. Fund financial statements differ from government-wide financial statements as explained below.

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Government-Wide Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. All assets and liabilities are presented on the balance sheet. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

Governmental Fund Financial Statements

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, only current assets and current liabilities are generally included on the balance sheet. Revenues are recognized when measurable and available. The Commission considers all revenues reported in the Special Revenue Fund to be available if the revenues are collected within 60 days following year-end. Wheat assessments and interest are considered to be susceptible to accrual. Expenditures are recorded when the related liability is incurred, except for compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds.

CAPITAL ASSETS

Capital assets are reported at cost less any accumulated depreciation. Only assets with a value of \$5,000 or more, and with a useful life of more than one year, are capitalized. The costs of normal repairs and maintenance that do not add to an asset's utility or materially extend an asset's useful life are not capitalized. As discussed below, the Commission has only one capital asset at the end of fiscal year 2007.

Building

The book value of the building is \$1,114,823, as of June 30, 2007. The building is depreciated on a straight-line basis over 40 years. The annual depreciation amount will be \$30,967 for the remaining 37 years. All depreciation is charged to administration.

BUDGETS AND BUDGETARY ACCOUNTING

The Commission adopts an annual budget on a cash basis. This budget is for internal use, and is not legally binding.

NOTE #2

CASH AND INVESTMENTS

OTHER

Refunds received are credited to the original expenditure classification.

Accounts payable are vendor-payment transactions occurring after the June 30 fiscal year-end for goods and services received by the Commission prior to June 30.

The Commission participates in various self-insurance programs established by the State for property and casualty losses and employee health insurance. Coverage includes property, general liability, and workers' compensation.

The ending cash balance at June 30, 2007, consists of checking and savings deposits of \$90,014, that are insured by the Federal Deposit Insurance Corporation (FDIC).

The Commission participates in the Local Government Investment Pool, an unrated external investment pool sponsored by the Idaho State Treasurer's Office. A copy of the State's *Comprehensive Annual Financial Report (CAFR)*, including the investment pool's financial statements, is available from the Office of the State Controller, Bureau of Reporting and Review, P.O. Box 83720, Boise, Idaho 83720-0011.

Interest Rate Risk

The following schedule represents the Commission's investments in the external investment pool and a distribution of the pool's maturities at June 30, 2007.

	<u>Fair Value</u>	<u>Maturity</u>
Investment in External Investment Pool	\$1,813,505	1 Yr. Average

The State Treasurer has an informal investment policy that limits certain investment maturities as a means of managing exposure to fair value losses arising from increasing interest rates.

NOTE #3

COMPENSATED ABSENCES

State of Idaho employee benefits include vacation and sick leave allowances. Overtime may be earned under provisions of the Fair Labor Standards Act and State law. Overtime is commonly referred to as "compensatory time" or "comp time" since employees may take time off for the accrued overtime. For purposes of earning and accruing overtime there are three general classes of employees:

1. Those who earn overtime at 1.5 times regular pay rates and may be paid for the overtime or take time off.

2. Those who earn overtime at the same rate as regular pay rates and may only take time off.
3. Those ineligible for overtime.

Under certain circumstances, employees eligible for overtime may accrue earned administrative leave on an hour-for-hour basis. Earned administrative leave is treated similarly to vacation leave but is not subject to any limitation. Upon termination, the following accrued leave balances are paid:

1. Vacation leave
2. Earned administrative leave
3. Overtime for those eligible for payment

All vacation and compensatory pay is accrued in the government-wide financial statements when the benefit is incurred. A liability for these amounts is reported in the government funds only if they have matured, for example, as a result of employee resignation or retirement.

Upon retirement, 50% of the unused sick leave value, not to exceed 600 hours, is used by the Public Employee Retirement System of Idaho to purchase supplemental health insurance for the retiree.

The changes to compensated absences are:

	<u>Fiscal Year 2007</u>
Beginning Balance	\$6,506
Increases	14,312
Decreases	<u>10,981</u>
Ending Balance	<u><u>\$9,837</u></u>

Of the total amount at June 30, 2007, the Commission estimates, based on past experience, that \$6,511 is due within one year.

NOTE #4 ***PENSION PLAN***

The Public Employee Retirement System of Idaho (PERSI), a cost-sharing, multiple-employer public retirement system, was created by the Idaho State Legislature. It is a defined benefit plan requiring that both the member and the employer contribute. Designed as a mandatory system for eligible state and school district employees, the legislation provided for political subdivisions to participate by contractual agreement with PERSI. Financial reports for the plan are available from PERSI.

After five years of credited service, members become fully vested in retirement benefits earned to date. Members are eligible for retirement benefits when they reach the age specified by their employment classification. For each year of credited service, the annual service retirement allowance is 2.0% or 2.3% (depending

on employee classification) of the average monthly salary for the highest consecutive 42 months.

For the years ended June 30, 2005, 2006, and 2007, the required contribution rate for general employees was 10.39% and 6.23% of covered payroll for the Wheat Commission and its employees, respectively. The Commission's contributions required and paid were \$18,875, \$20,268, and \$21,277 for the three years ended June 30, 2005, 2006, and 2007, respectively.

The PERSI Choice Plan is the State's defined contribution retirement plan. Statutes governing the PERSI Choice Plan are found in Idaho Code, Title 59, Chapter 13. Participants direct their own investment mix without restriction, and may elect to change their deferral every pay period.

NOTE #5
FUNDING

The Commission is financed by a 1½¢ per-bushel tax collected by the Commission on wheat as it enters the channels of trade in Idaho. The amount of funds received by the Commission is subject to various conditions, including market price, storage of wheat, weather, and number of acres planted.

NOTE #6
LEASES

The Commission is committed to an operating lease for its photocopier. The lease term is 60 months (5 years), monthly payments are \$159, and the lease cannot be canceled. The Commission has the option to buy the copier for fair market value at the end of the lease term.

Lease expenditures were \$1,908 in fiscal year 2007. Future minimum lease payments are shown below:

<u>Fiscal Year Ending June 30</u>	
2008	\$1,908
2009	636
2010	0
2011	0
2012-2016	<u>0</u>
Total	<u>\$2,544</u>

NOTE #7
RELATED-PARTY TRANSACTIONS

The Commission works jointly with the Idaho Grain Producer's Association (IGPA). The IGPA provides lobbying activities, recommends new Wheat Commissioners, completes surveys, and provides marketing activities for the Commission. The Commission does not obtain other bids for these services and has used the services of the IGPA for several years. In fiscal year 2007, the Commission made the following payments to the IGPA:

1. \$200,000 for lobbying, marketing, and related activities.

2. \$24,000 to subsidize the production of the Association's quarterly magazine.
3. \$15,800 to subsidize the Association's annual convention.
4. \$6,500 for special projects between Commission and IGPA.
5. \$50,000 for overhead operations.

As of June 30, 2007, there were no receivables. Payables due to or from the Association were \$77.

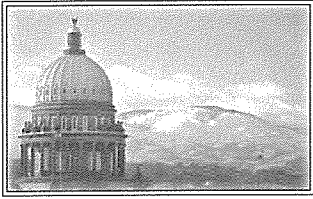
The Commission gave the Idaho Rural Partnership a discount on its annual lease amount (valued at \$5,000) in exchange for a position on the Idaho Rural Business Development Council.

The Commission gave the Idaho Council on Industry and the Environment a discount on its annual lease amount (valued at \$1,000) in exchange for membership privileges on the Council.

NOTE #8

PRIOR PERIOD ADJUSTMENT

The prior period adjustment of \$4,625 was caused by accounts payable and compensated absences being overstated in the prior year.



Legislative Services Office Idaho State Legislature

Serving Idaho's Citizen Legislature

Jeff Youtz
Director

November 2, 2007

Independent Auditor's Report on Internal Control
Over Financial Reporting and on Compliance and
Other Matters Based on an Audit of Financial
Statements Performed in Accordance
With Government Auditing Standards

Members of the Idaho Wheat Commission
Blaine Jacobson, Executive Director
821 West State Street
Boise, ID 83702

Commission Members and Executive Director:

We have audited the financial statements of the Idaho Wheat Commission as of and for the year ended June 30, 2007, and have issued our report thereon dated November 2, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Commission's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control report that might be material weaknesses. However, we identified certain conditions in the internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency that adversely affects the Commission's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Commission's financial statements that is more than inconsequential will not be prevented or detected by the Commission's internal control.

We consider the deficiencies described below to be significant deficiencies in internal control over financial reporting.

Mike Nugent, Manager
Research & Legislation

Cathy Holland-Smith, Manager
Budget & Policy Analysis

Don H. Berg, Manager
18 Legislative Audits

Glenn Harris, Manager
Information Technology

- 2007-01** Government Auditing Standards place the responsibilities on management for the preparation of the comprehensive financial statements and notes for the audit report. The Commission does not have an internal control system designed to provide for the preparation of the comprehensive financial statements being audited. As auditors, we were requested to draft the comprehensive financial statements and notes from the Commission's accounting system. This circumstance is not unusual for an entity the size of the Commission. It is the responsibility of management and those charged with governance to make the decision whether to accept the degree of risk associated with this condition because of cost or other considerations.
- 2007-02** During the course of our engagement, we proposed a prior period material adjustment of \$4,625 that would not have been identified as a result of the Commission's existing internal controls, and therefore could have resulted in a material misstatement of the Commission's financial statements.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Commission's internal control. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered material weaknesses. None of these significant deficiencies are classified as a material weakness.

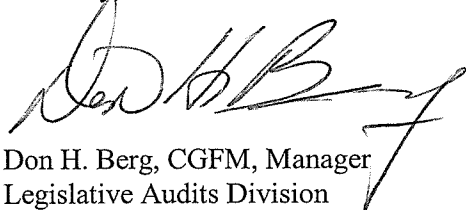
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain other matters that we have reported to the management of the Commission in a separate letter.

This report is intended solely for the information and use of the State of Idaho and the Idaho Wheat Commission and is not intended to be used by anyone other than these specified parties.

Sincerely,

A handwritten signature in dark ink, appearing to read "Don H. Berg", with a stylized flourish extending from the bottom right.

Don H. Berg, CGFM, Manager
Legislative Audits Division

APPENDIX

HISTORY

The Idaho Wheat Commission was established in 1959 by Idaho Code, Title 22, Chapter 33. Organizationally, it became part of the Department of Self-Governing Agencies in 1974.

PURPOSE

The purpose of the Commission is to promote public welfare by providing means for the protection, promotion, study, research, analysis, and development of markets concerning Idaho wheat.

ORGANIZATION

The Commission consists of five commissioners appointed by the Governor upon recommendation of the Idaho Grain Producers Association. Commissioners serve a five-year term. The dean of the University of Idaho, College of Agriculture, serves as an ex-officio member. The office staff consists of an executive director, director of programs, project coordinator, and an office manager.

FUNDING

In the first session of 2001, the Idaho Legislature passed House Bill 91 creating a variable wheat tax rate to be determined at the discretion of the Idaho Wheat Commission. Effective July 1, 2001, the rate dropped from \$0.02 to \$0.015 per bushel. The rate is capped at a maximum of \$0.02 per bushel, as allowed by Idaho Code, Section 22-3315. For fiscal year 2007, the wheat tax rate was \$0.015 per bushel. As of July 1, 2007 (fiscal year 2008), the rate raised to \$0.02 per bushel (House Bill 170).

The Commission approves an annual internal budget that allocates funds toward various research, marketing, and promotional activities.

The 1998 Idaho Legislature passed House Bill 555, allowing the Idaho Wheat Commission and other Idaho commodity commissions control of their receipts and the ability to adopt accounting procedures independent of the State of Idaho Controller's Office. The Idaho Wheat Commission submits annual audits of financial records to the appropriate agencies and legislative committees as defined in the enabling legislation.